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Report Highlights:

Venezuela's fresh poultry sector has continued struggling to recover demand levels reached back in 1997. Since then the weak economy has seriously affected market conditions in all agricultural sectors. Flat consumption and a dip in production are the key elements of 1999's performance. However, competition will be the new buzzword of the poultry sector as the Venezuelan Government finally begins allowing imports of processed U.S. poultry products (final approval for *unprocessed* poultry imports is still pending). Hopefully, unprocessed U.S. poultry products will be able to enter this market shortly and Venezuelan consumers will soon begin enjoying better quality and lower priced U.S. poultry products.

Includes PSD changes: Yes
Includes Trade Matrix: No.
Annual Report
Caracas [VE1]

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Executive Summary

While growth in the poultry sector has declined since 1998, Venezuelan producers have demonstrated that they are capable of adapting to adverse economic conditions. Domestic demand for poultry products has fallen by three percent over the last year, yet the poultry industry has looked at this as a short term phenomenon and poured investment into areas such as improving and expanding cold storage, thereby improving their product stability.

Despite the dip in consumption, poultry meat remains the most popular animal protein in Venezuela. While the retail price of poultry is quite high by U.S. standards (\$1.74/kilogram for whole bird), poultry meat is still less expensive than pork, beef or fish.

One of the chief impediments to selling U.S. poultry products to Venezuela over the last few years has been the strong domestic agricultural lobby which has lobbied the government to create false sanitary barriers to entry. Persistent pressure by the FAS/Caracas office seems to have partially reopened the market at least, for processed U.S. poultry products. As of now, the market remains illegally closed for unprocessed U.S. poultry products, but, since this barrier is without scientific merit, FAS/Caracas is confident that open trade will soon exist for all U.S. poultry products into Venezuela

The net result should be less expensive poultry for Venezuelan consumers and a boost in poultry consumption. Domestic producers will feel the pinch of competition and no doubt exert political pressure to either slow the flow of poultry imports, seek lower tariffs on imported U.S. corn or perhaps some combination of the two.

PRODUCTION

Venezuela's poultry sector has fallen since 1997, but it remained stable during most of 1999 and the first semester of 2000. The industry has responded favorably to adverse economic conditions and continued to struggle to survive despite the slowed-pace of the Venezuelan economy. Demand for poultry products has not increased mainly because of the falling disposable incomes of the population. Therefore, poultry producers have maintained production levels similar to the previous year and dedicated most new investments in developing inventory facilities.

Production Policy

Government influence in the poultry industry is considerable. The Government of Venezuela (GOV) continues to protect domestic producers by restricting the imports of chicken and raw poultry from countries that have reported incidents of Avian influenza in the past (please refer to trade section). However, the market has been opened for processed U.S. poultry products as result of efforts from the FAS/Caracas office which convinced the GOV to issue sanitary imports permits allowing imports of processed U.S. poultry products.

Domestic production of poultry meat and eggs is not subsidized by the GOV. All inputs, including genetics required by the Venezuelan poultry sector are obtained at market prices. It is worth noting, however, that individuals involved in Venezuelan agricultural production do not pay income taxes.

The Venezuelan poultry sector is represented by the National Poultry Association (Federacion Nacional de Avicultura or FENAVI). Around 80 percent of the country's poultry producers are members of FENAVI and it is among the most politically influential of the agricultural associations.

Production Problems

Venezuela's poultry industry relies on imported feeds and inputs. Despite claims to the contrary, Venezuelan feed manufacturers and livestock & poultry feeders seem to be making money and remain key customers for U.S. origin yellow corn. Approximately 80 percent of Venezuelan yellow corn imports come from the United States. Yellow corn imports in the coming years are not expected to fall even though the unfavorable economic conditions in the country persist, because poultry and pork feeders are reluctant to use anything other than imported yellow corn to feed their animals. The United States has continued to maintain the dominant market share (For feed grain imports refer to GAIN, Report Number VE0018). Furthermore, due to the ban on U.S. products, poultry genetics are more expensive since they must be imported from Europe and some Latin American countries (Colombia and Peru).

CONSUMPTION

Consumption of poultry meat is currently supported by its lower price relative to other meats. Annual per capita consumption of poultry meat in Venezuela is estimated at 15 kilograms. However, if economic conditions improve, demand for poultry meat should increase significantly. In addition, having U.S. poultry products on the market should help increase total consumption, because landed U.S. poultry products are priced beneath domestic poultry products. Domestic poultry rely on yellow corn as the primary component of the poultry's feed and the corn is highly taxed.

Stocks

Currently, inventories of poultry and poultry meat are similar to levels of previous years. Higher levels of inventories carried over from previous years (around 15 TMT) resulted from a declining demand. Inventories revealed no change at all during 1999, except for the expansion of inventory space. In the past, the lack of reliable cold-storage facilities tended to keep inventories in check since there was little surplus capacity for inventories. A more recent trend has shown that there is a growing consumer demand for processed poultry products, including pre-cooked and prepared poultry. Accordingly, several food importers and supermarkets are developing cold-storage facilities which helps boost inventory levels. Most of these players have attended U.S. trade shows such as the FMI show, the NRA show, the Fancy Food Show and the America's Food and Beverage Show. Venezuelans that attend these shows have reported that they have contacted new U.S. suppliers and learned new ways to improve their sales.

TRADE

The Venezuelan statistical office has yet not published detailed trade data for 1998 nor 1999. The export and import figures given in the PSD tables are Post estimates based on field visits and industry interviews. FAS/Caracas estimates imports of U.S. poultry to reach 10 and 25 TMT between 2000 and 2001 because of the opening of the Venezuelan market to U.S. poultry products. Further imports for the upcoming years should double these estimated figures as consumers become more aware of the quality and fair price of U.S. poultry.

Although the poultry industry is working to develop export markets to neighboring countries, Venezuela has trade differences and problems with Andean Community countries (Bolivia, Colombia, Ecuador and Peru) that have resulted in Venezuela being listed as the member country with the most obstacles to free trade. Nonetheless, approximately 10 TMT of poultry are believed to move unofficially across the Colombian border into Venezuela.

The GOV is developing a project to have one of its major islands (Nueva Esparta State, located at the northeast coast of the country) named as an area free of any poultry diseases. In order to accomplish this goal, a couple measures have been put in place: a) all poultry trade is supervised by the sanitary authorities (SASA- the local equivalent to APHIS) and b) random samples are taken from flocks on the island to determine presence of any poultry diseases. Once this area is declared free of any poultry diseases, the GOV expects to open an export window to neighboring Caribbean countries (Aruba, Curacao and Trinidad & Tobago). Meanwhile, poultry producers in Trinidad & Tobago are eyeing the Margarita Island market. Exports could increase to around 5 TMT in the next two years to these surrounding islands.

Tariff and Non-Tariff Barriers

Whole poultry and poultry pieces are included under the Andean Community agricultural price band system for imports from non-Andean Community countries. This system raises or lowers the ad valorem duty of groups of related products according to the relationship of the prices of specified "marker" commodities to set floor and ceiling prices. There is a price band for poultry parts. Whole birds, however, are included in the yellow corn group. (See VE5014 and VE6015 for a detailed explanation of how the price band system operates.)

The base custom rate for poultry and poultry products is 20 percent and inter-Andean imports are assessed a zero duty rate. All other imports must follow the Andean Community Price Band system. The price band system benefits inter-Andean Community imports, while making it too expensive for other relatively cheaper poultry producers to access the Andean Community market.

Venezuela negotiated Tariff Rate Quotas (TRQs) for poultry meat not cut in pieces (HS code 0207) up to a ceiling of 3,426 MT with a tariff of 40 percent. To date, the GOV has not notified the WTO of its intention to open the TRQ. Therefore, imports remain subject to the Andean price band.

Venezuela typically uses unjustified sanitary restrictions to protect local production from imports.

Import Restrictions

The Venezuelan government uses phytosanitary and sanitary restrictions as a non tariff trade barrier to protect many agricultural products from competition with imported products. The domestic poultry sector has been protected since August 1993 by a total prohibition of fresh poultry or poultry products from the United States, supposedly to protect the domestic poultry industry from highly pathogenic avian influenza (AI).

The Ministry of Production and Commerce (MPC) modified this import prohibition in the *Gaceta Oficial* on March 13, 1997, allowing the import of pathogenic free (SPF) eggs from "AI-free countries," and the import of certain processed poultry products from "AI-free countries." This resolution leaves open the possibility of imports of fresh poultry, hatching eggs, and fresh/frozen poultry meat from "AI-free countries" with SASA's (the Venezuelan equivalent of APHIS) approval.

After many years of promises and delays, FAS/Caracas has convinced the Venezuelan Government (GOV) to issue sanitary import permits allowing imports of **processed** U.S. poultry products. Venezuelan authorities require a statement that the processed product has been heated to an internal temperature of 155 degrees Fahrenheit (68 degrees Celsius). All USDA-approved processed poultry products already meet this requirement as would be evident by the USDA seal on the processed poultry product.

While the door has not yet been opened for **unprocessed** U.S. poultry imports into Venezuela, there is a strong chance that the unfair obstacle for unprocessed poultry imports will soon be removed. FAS/Caracas is working with the (GOV) Ministry of Production and Commerce to get scientifically justified and WTO-consistent sanitary import requirements in place.

Export Subsidies

The GOV does not provide any special incentives for fresh or processed poultry exports. Incentives to promote the export of fresh or chilled poultry products were discontinued on May 7, 1991 (Decree number 1597). It is possible that special incentives might be designed and implemented in the near future considering the recently announced GOV support to the agricultural sector.

MARKETING

Poultry is demand in a variety of ways. Chicken is available fresh, refrigerated, frozen, canned or processed. Canned products include a spreadable or deviled chicken product. Refrigerated poultry products include chicken sausages (both regular and smoked), chicken and beef sausages, chicken bologna, chicken breast deli meat, whole smoked chicken, and chicken ham. Frozen poultry products include whole chickens and chicken parts, and ready-to-eat breaded chicken parts: chicken patties, croquettes, nuggets, breast filets, and steaks. There is a well established custom of seasoning most dishes with condensed chicken or beef bouillon. These products are marketed in a loose powder or compressed into cubes.

Marketing Channels

Most poultry products are sold through supermarkets, grocery stores, hypermarkets, gourmet stores and mini-markets (referred to locally as "abastos"). Other outlets for processed poultry products are the local bakeries ("panaderias") and butcher shops, which are common in Venezuela. Another marketing channel is the fast-food chains and restaurants, with around 120 outlets in Venezuela selling chicken products as well as beef hamburgers. The rate of expansion among fast food franchises such as McDonald's, Kentucky Fried Chicken, and Wendy's has been phenomenal. Even domestic chains such as Arturo's and Chipi's have enjoyed growing popularity. While the above marketing channels are the most common in urban areas of the country, consumers also shop at wet markets for their poultry products. The wet markets open every day from dawn through noon and products come directly from local producers.

U.S. Market Opportunities

During the past four years the hotel industry in Venezuela has strongly developed with the presence of the following hotel chains: Best Western, Eurobuilding, Four Seasons, Gran Meliá, Holiday Inn and the Intercontinental, among others. Imports of high quality and convenient poultry cuts by the five-star hotels are a possibility and the tendency is to reduce handling by untrained Venezuelan kitchen staff to minimize loss and maintain U.S. style food safety for guests.

There is also a market for turkey and turkey products as Venezuelans are becoming somewhat more aware of health issues and turkey is well liked.

There also exists in Venezuela an increasingly strong market for consumer-ready meat products made from chicken or turkey to be sold through supermarkets, specialty meat stores and restaurants. The Venezuelan market for products such as sausages, turkey pastrami, turkey hot dogs, etc. is expanding rapidly to upper income groups.

The FAS/Caracas office organizes a variety of events each year to put U.S. exporters in touch with potential

Venezuelan buyers. Whether it be in country events such as the Great American Barbeque or one of the many U.S. trade shows that we recruit buyers (such as the Poultry Show, FMI show, the NRA show, the Fancy Food Show and the America's Food and Beverage Show). The first step to take is to contact FAS/Caracas for assistance at AgCaracas@fas.usda.gov or fax: (58-2) 975-7615. In addition, every U.S. poultry exporters should coordinate their efforts with the U.S. Poultry & Egg Export Council (USAPEEC) at usapec@usapec.org or www.usapeec.org.

APPENDIX :Partial Directory of Processed Poultry Importers in Venezuela

Alimentos Oceania, C.A.

Calle Bolivar, Edf. Fryan,
Urb. La Trinidad, Caracas
Tel: (582) 943.3737
Fax: (582) 945.0932
Contact: Paolo Masieri Nouel

CADA/CATIVEN

Av. Ppl. Colinas de Bello Monte
Av. Leonardo Da Vinci
Entre calles Lincoln y Sorbona
Urb. Colinas de Bello Monte,
Caracas
Tel: (58-2) 701-0546 or 701-0550
Fax: (58-2) 751-8419 or 751-7819
Contact: Mr. Juan Carlos Paéz

Corporación Leibe, C.A.

Edif. Yacambú, Piso 5,
Av.Sanatorio del Avila, Montecristo
Caracas
Tel: (58-2) 238-3344, 238-7622 or 238-2323
Fax: (58-2) 238-1128
Contact: Mr. Alberto Agelvis

Frigorificos Ordaz. S.A.-Friosa

Calle Iripe, Complejo Industrial García Hermanos,
Zona Industrial Unare II, Guayana, Edo. Bolívar
Tel: (58-86) 51-1222 or 51-2222
Fax: (58-86) 52-1238 or 51-1475
Contact: Mr. Manuel Richard García

Importación Americana, C.A.-IMAR, C.A.

Edifi. Importación Americana, Calle 600
Quinta Crespo, Caracas
Tel: (58-2) 481-9257 or 481-6305
Fax: (58-2) 482-1796
Contact: Mr. Teodoro Duzoglu

Internacional de Desarrollo

Torre Diamen, Piso 9, Oficina 96
Av. Ernesto Blohm,
Chuao, Caracas

Tel: (58-2) 992-4479
Fax: (58-2) 993-3436
Contact: Mr. José Leopoldo Burg

Inversiones Koma S.A.

Edificio Elefante, Piso 1, Oficina 3
Av. Baralt c/calle 500, Quinta Crespo
Caracas

Tel: (58-2) 484-5520 or 484-8621
Fax: (582) 484-4520
Contact: Mr. Pedro García Armas

MAKRO COMERCIALIZADORA

Autopista Petare Guarenas
Distribuidor La Urbina

Tel: (58-2) 242-26-11
Fax: (58-2) 242-5725
Contact: Mr. Jesús Leidos

RATTAN

C.C. Rattan, Av. 4 de Mayo
Porlamar, Edo Nueva Esparta
Tel: (58-95) 617911, 62-7011
Fax: (58-95) 618021
Contact: Mr. Guillermo Mosquera

REY DAVID

Tel: (58-2) 284-1790
Fax: (58-2) 285-0605
Contact: Mr. Anacleto Texeira, President

Viveres De Cándido

Prolongación Delicias Norte con prolongación Circunvalacion No. 2
Maracaibo, Edo. Zulia
Tel: (58-61) 42-0153 or 42-0677
Fax: (58-61) 42-0884 or 42-0885
Contact: Mr. Angel Ojeda

PSD Table: Poultry, Meat, Total

PSD Table						
Country	Venezuela					
Commodity	Poultry, Meat, Total				(1000 MT)(MIL HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	5	5	10	15	0	10
Production	375	375	370	370	0	365
Whole, Imports	0	0	0	0	0	10
Parts, Imports	0	0	0	10	0	15
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	10	0	25
TOTAL SUPPLY	380	380	380	395	0	400
Whole, Exports	0	0	0	2	0	2
Parts, Exports	0	0	0	3	0	3
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	5	0	5
Human Consumption	360	355	350	360	0	370
Other Use, Losses	10	10	20	20	0	15
Total Dom. Consumption	370	365	370	380	0	385
TOTAL Use	370	365	370	385	0	390
Ending Stocks	10	15	10	10	0	10
TOTAL DISTRIBUTION	380	380	380	395	0	400
Calendar Yr. Imp. from U.S.	0	0	0	10	0	25

Prices Poultry

Prices Table			
Country	Venezuela		
Commodity	Poultry, Meat, Total		
Prices in	Bolivars	per uom	kilograms
Year	1999	2000	% Change
Jan	1100	1100	0.00%
Feb	1090	1100	0.92%
Mar	1093	1100	0.64%
Apr	1010	1200	18.81%
May	1027	1200	16.85%
Jun	1025	1150	12.20%
Jul	1050	975	-7.14%
Aug	1060		-100.00%
Sep	1053		-100.00%
Oct	1060		-100.00%
Nov	1080		-100.00%
Dec	1100		-100.00%
Exchange Rate	Bs 688	Local currency/US \$	

* prices for fresh whole bird

Source: local newspapers and FAS/Caracas